



# **RATLOU LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

# Annual Financial Statements

for

## Ratlou Local Municipality

for the year ended 30 June **2013**

Province:

North West

Contact Information:	
<b>Name of Municipal Manager:</b>	Glen Lekomanyane
<b>Name of Chief Financial Officer:</b>	Patience Leburu
Contact telephone number:	018 330 7000
Contact e-mail address:	<a href="mailto:patience@ratlou.gov.za">patience@ratlou.gov.za</a>
<b>Name of contact at provincial treasury: Chief Director</b>	Linda Ramatlhape
Contact telephone number:	018 388 2575
Contact e-mail address:	<a href="mailto:Lramatlhape@nwp.gov.za">Lramatlhape@nwp.gov.za</a>
<b>Name of relevant Auditor:</b>	Auditor General(Nompakamo Matanzima)
Contact telephone number:	014 597 9715 / 0836080971
Contact e-mail address:	<a href="mailto:NompakamoM@agsa.co.za">NompakamoM@agsa.co.za</a>
<b>Name of contact at National Treasury:</b>	Sadesh Ramjathan
Contact telephone number:	012 315 5009
Contact e-mail address:	<a href="mailto:sadesh,ramjathan@treasury.gov.za">sadesh,ramjathan@treasury.gov.za</a>

**Ratlou Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**General information**

**Members of the Council**

V.P Mance  
M.R. Mongala  
P.P. Mokgosi  
J. Mongale/ A Matebele  
M. Kumalo  
K.V Shomolekae  
M Bank  
G Boikanyo  
J.Lebelela  
M.Sedia  
L Boikanyo  
D.Ditau  
M.I Lentswe  
M Kobela  
G Ncoane  
K.M. Leepile  
J Gaobotse  
O Seabelo  
L Bees  
D Rankokwadi  
S Lekukane (Deceased)  
D Molaolwa  
M Dala  
F Galetlhobogwe  
F Moshweu  
L Sekwati  
K.Gaosirwe

**Mayor**

**Speaker**

Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member (MPAC Chairperson)  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

**Municipal Manager**

G Lekomanyane

**Chief Financial Officer**

Mrs Patience Leburu

**Grading of Local Authority**

Grade 1 (NW 381)

**Auditors**

Auditor-General

**Bankers**

**Ratlou Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

First National Bank: Stella Branch

<b>Registered Office:</b>	Municipal Offices
<b>Physical address:</b>	DeLareyville Road Next to Setlagole Library Setlagole
<b>Postal address:</b>	<b>Private Bag X209</b> Madibogo 2772  <b>P O Box 494</b> Stella 8650
<b>Telephone number:</b>	018 330 7000
<b>Fax number:</b>	018 330 7047
<b>E-mail address:</b>	<a href="mailto:patience@ratlou.gov.za">patience@ratlou.gov.za</a>

**Ratlou Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Accounting Officer**

*31-Aug-2013*

**Ratlou Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

These annual financial statements for 2012/13 have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

**2. BUDGET**

Council approved a capital budget of **R28 894 000** and operational budget of **R68 887 000** for the 2012/2013 financial year. A further amount of **R22 100 000** was approved in an adjustments budget

**3. OPERATING RESULTS**

Revenue for the current year has increased from **R83 218 384 in the previous year**, to **R98 174 878** in the current years representing a 15% increase.

**4. CAPITAL COMMITMENTS**

Capital commitment decreased from **R13 518 934 to R12 115 551** which represents a decrease of **10.38%**.

**5. INVESTMENTS**

On 30 June 2013 investments amounted to **R 82 910** . The amount decreased with **R 3 732 273** from the prior year, representing a **97.83%** decrease.

**6. CASH**

At 30 June 2013, cash amounted to **R 17 549 179**. The amount decreased with **R 12 833 423** from the prior year, representing a **42.24%** decrease.

**7. PROVISIONS**

Provisions of **R 1 203 901.87** were made for in the 2012/13 financial year.

**8. APPRECIATION**

My appreciation goes to the Mayor, the Speaker, the Chief Whip, Councillors, the Municipal Manager, Executive Managers, Managers and the staff for their support and cooperation received during the year.

I wish to convey a special work of appreciation to all the staff members who assisted me during the compilation of the financial statements for their dedication and hard work, as well as to all the employees of Ratlou Local Municipality.

**Chief Financial Officer**  
**31-Aug-13**

**Ratlou Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June

<b>Index</b>	<b>Page</b>
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Accounting Policies	12-24
Notes to the Annual Financial Statements	25-54
Appendix A: Analysis of Property, Plant and Equipment	56-59
Appendix B: Segmental Analysis of Property, Plant and Equipment	60
Appendix C: Segmental Statement of Financial Performance	61
Appendix D: Actual versus Budget (Revenue and Expenditure)	62

**Ratlou Local Municipality**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2013

	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	17 069 527	24 830 660
Trade and other receivables from exchange transactions	2	123 191	126 325
Other receivables from non-exchange transactions	3	173 940	166 879
VAT receivable	9	16 415 574	10 323 850
Inventories	5	1 010 738	396 286
Prepayments	6	-	1 556 321
<b>Non-current assets</b>			
Property, plant and equipment	4	149 340 387	128 097 541
Investment Property	7	17 350 000	16 680 000
<b>Total assets</b>		<b>201 483 356</b>	<b>182 177 862</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	8	10 537 761	5 589 286
Current portion of unspent conditional grants and receipts	10	10 257 876	9 255 797
Current Provisions	11	4 928	10 609
<b>Non-current liabilities</b>			
Non-current provisions	12	1 198 974	979 928
<b>Total liabilities</b>		<b>21 999 540</b>	<b>15 835 620</b>
<b>Net assets</b>		<b>179 483 817</b>	<b>166 342 242</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)	27	179 483 817	166 342 242
<b>Total net assets</b>		<b>179 483 817</b>	<b>166 342 242</b>

**Ratlou Local Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2013

	<b>Note</b>	<b>2013 R</b>	<b>2012 R</b>
<b>Revenue</b>			
Property Rates	15	3 107 484	2 035 765
Rental of facilities and equipment	13	786 972	718 928
Interest earned	14	4 337 736	1 989 064
Government grants and subsidies	17	89 104 298	78 323 805
Other income	16	838 387	150 821
<b>Total revenue</b>		<b>98 174 878</b>	<b>83 218 385</b>
<b>Expenses</b>			
Employee related costs	18	30 321 621	23 410 931
Remuneration of councillors	19	8 414 401	7 540 625
Bad debts		5 521 237	1 953 627
Depreciation and amortisation expense	20	6 511 907	5 817 737
Finance Costs		21 789	15 178
Repairs and maintenance		1 292 882	1 357 984
Grants and subsidies paid		-	1 200 000
Contracted services	21	6 876 512	4 960 239
General Expenses	22	26 195 781	31 480 273
<b>Total expenses</b>		<b>85 156 129</b>	<b>77 736 594</b>
Gain / (loss) on sale of assets	23	(472 976)	(779 277)
Profit / (loss) on fair value adjustment	24	670 018	2 412 636
Inventories- (Write-down)/ reversal of write down to net realisable value	5	(74 216)	
<b>Surplus / (deficit) for the period</b>		<b>13 141 575</b>	<b>7 115 150</b>

**Ratlou Local Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2013

		<table><tr><th>Accumulated Surplus/(Deficit)</th><th>Total: Net Assets</th></tr><tr><th>R</th><th>R</th></tr></table>		Accumulated Surplus/(Deficit)	Total: Net Assets	R	R
Accumulated Surplus/(Deficit)	Total: Net Assets						
R	R						
	Note						
Balance at 30 June	2011	158 761 349	158 761 349				
Surplus / (deficit) for the period		7 115 150	7 115 150				
Correction of Prior Year Error	28	465 745	465 745				
Balance at 30 June	2012	166 342 244	166 342 244				
Surplus / (deficit) for the period		13 141 575	13 141 575				
Balance at 30 June	2013	28	179 483 819				

# Ratlou Local Municipality

## CASH FLOW STATEMENT

as at 30 June 2013

	Note	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		96 569 420	84 463 264
Sales of goods and services		490 904	1 049 619
Grants		93 427 545	81 273 759
Interest received		1 812 583	1 989 064
Other receipts		838 387	150 821
Payments		76 035 350	72 667 626
Employee costs		37 866 002	30 234 446
Suppliers		38 147 559	41 218 002
Interest paid		21 789	15 178
Other payments		-	1 200 000
<b>Net cash flows from operating activities</b>	<b>25</b>	<b>20 534 069</b>	<b>11 795 638</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(28 295 204)	(20 869 809)
Proceeds from sale of fixed assets		-	734 240
<b>Net cash flows from investing activities</b>		<b>(28 295 204)</b>	<b>(20 135 569)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(7 761 135)</b>	<b>(8 339 931)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>24 830 661</b>	<b>33 170 593</b>
<b>Net cash and cash equivalents at end of period</b>	<b>26</b>	<b>17 069 527</b>	<b>24 830 662</b>

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **1 BASIS OF ACCOUNTING**

##### **1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board and Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

##### **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

##### **1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

##### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## Ratlou Local Municipality

### ACCOUNTING POLICIES for the year ending 30 June

#### STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

#### 1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<u>GRAP Standard</u>	<u>Effective date as determined by Minister of Finance</u>	<u>Possible Impact on the financial statements on initial application</u>
GRAP 18 - Segment Reporting	Unknown	Disclosure and presentation of specific and detailed information about the major activities (service and geographical) undertaken by the municipality, along with the resources allocated to these activities
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family,
GRAP 23 - Revenue from non-exchange transactions		Full disclosure of nature and effect of revenue from non-exchange transactions
GRAP 25 - Employee Benefits	Unknown	Full disclosure on employee short term benefits (undiscounted), post retirement benefits (discounted) including actuarial assumptions
GRAP 26 - Impairment of cash generating assets	01-Apr-12	Full disclosure of nature and effect of impairment on cash generating assets
GRAP 27 - Agriculture	Replaces GRAP 101	Full disclosure of nature and effect of agricultural assets
GRAP 31 - Intangible Assets	Replaces GRAP 102	Full disclosure of nature and effect of Intangible Assets
GRAP 32- Service Concession: Grantor	Issued but not effective	Full disclosure of nature and effect on Revenue and Liabilities
GRAP 105 - Transfer of functions between entities under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities within the same sphere of government.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

GRAP 106 - Transfer of functions between entities not under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities not within the same sphere of government.
GRAP 107 - Mergers	Unknown	Full disclosure of the nature and effect of the two entities that are now combined through a merger.
GRAP 108 - Statutory Receivable		Full disclosure of the nature and effect on statutory receivable

## **2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **2.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **2.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

##### **Infrastructure**

Roads and Lights	10-40
Water Pipelines	25-50
Water Pumps, Purification and Reservoirs	30-55
Sewerage	25-30
Landfill Site Perimeter Protection and structures	10-55

##### **Community**

Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30

##### **Other**

Buildings	30
Office equipment	7
Furniture and fittings	7
Emergency equipment	5
Computer equipment	5
Motor Vehicles	5-10
Other assets	4-10

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Standard of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

#### **2.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

## **3 INTANGIBLE ASSETS**

### **3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- > Intangible assets are initially recognised at cost.
- > Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- > Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5
-------------------	---

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **4 INVESTMENT PROPERTY**

##### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

##### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. Fair value determinations are carried out at regular intervals.

#### **5 NON-CURRENT ASSETS HELD FOR SALE**

##### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

## **6 INVENTORIES**

### **6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **7 FINANCIAL INSTRUMENTS**

### **7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **8 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **9 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **10 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **11 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **12 LEASES**

### **12.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **12.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **13 REVENUE**

### **13.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

### **13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **13.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

#### **14 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

#### **15 RETIREMENT BENEFITS**

##### **Defined Contribution Plan**

The municipality provides retirement benefits for its employees and councillors

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions

#### **16 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

## **Ratlou Local Municipality**

### **ACCOUNTING POLICIES**

for the year ending 30 June

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **17 HERITAGE ASSETS**

### **17.1 INITIAL RECOGNITION**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date

### **17.2 SUBSEQUENT MEASUREMENT - COST MODEL**

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses

### **17.3 DEPRECIATION AND IMPAIRMENT**

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance

### **17.4 DERECOGNITION**

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
<u>Cash and cash equivalents consist of the following:</u>		
Cash on hand		5 224
Cash at bank		17 130 904
Credit Card		0
Petrol Card		(66 602)
		<u>17 069 527</u>
 <b><u>Cash at bank</u></b>		
The Municipality has the following bank accounts: -		
<b>Current Account (Primary Bank Account)</b>		
<i>First National Bank : Account Number 62023653042</i>		
Cash book balance at beginning of year		<u>21 078 123</u>
Cash book balance at end of year		<u>17 047 994</u>
Bank statement balance at beginning of year		<u>30 382 602</u>
Bank statement balance at end of year		<u>17 549 179</u>
 <b>Call Deposit - Money Market Account</b>		
<i>First National Bank : Account Number 62032709993 @ 3.91% interest</i>		
Cash book balance at beginning of year		<u>2 468 814</u>
Cash book balance at end of year		<u>1 761</u>
Bank statement balance at beginning of year		<u>2 468 814</u>
Bank statement balance at end of year		<u>1 738</u>
 <b>Call Deposit - Sports, Arts and Culture Grant</b>		
<i>First National Bank : Account Number 62159137978 @ 3.41% interest</i>		
Cash book balance at beginning of year		<u>93 807</u>
Cash book balance at end of year		<u>-</u>
Bank statement balance at beginning of year		<u>-</u>
Bank statement balance at end of year		<u>-</u>
 <b>Call Deposit - Infrastructure Grant</b>		
<i>First National Bank : Account Number 62159138299 @ 3.91% interest</i>		
Cash book balance at beginning of year		<u>1 252 584</u>
Cash book balance at end of year		<u>81 149</u>
Bank statement balance at beginning of year		<u>81 149</u>
Bank statement balance at end of year		<u>81 149</u>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R
<b><u>Credit Card</u></b>		
First National Bank : 8812710003277006		
Cash book balance at beginning of year		-
Cash book balance at end of year		0
Bank statement balance at beginning of year		-
Bank statement balance at end of year		-
<b><u>Petrol Card</u></b>		
Wesbank : 80936		
Cash book balance at beginning of year		(65 376)
Cash book balance at end of year		(66 602)
Bank statement balance at beginning of year		(65 376)
Bank statement balance at end of year		(66 602)
<b><u>Cash on hand</u></b>		5 224
<b>Total cash and cash equivalents</b>		<b>17 069 527</b>

	Gross Balances	Impairment of Receivable
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b><u>Trade receivables</u></b>		
<b>as at 30 June 2013</b>		
Rates	6 557 165	(6 517 527)
Rental	1 504 438	(1 420 886)
<b>Total</b>	<b>8 061 604</b>	<b>(7 938 413)</b>
<b>as at 30 June 2012</b>		
Rates	3 173 877	(3 160 391)
Rental	1 292 736	(1 179 897)
<b>Total</b>	<b>4 466 613</b>	<b>(4 340 288)</b>
<b>as at 30 June 2013</b>		
<b><u>Rates: Ageing</u></b>		
Current (0 – 30 days)	196 440	(195 801)
31 - 60 Days	194 612	(194 293)
61 - 90 Days	198 570	(197 648)
91 - 120 Days	194 612	(194 293)
121 - 365 Days	2 784 085	(2 755 558)
+ 365 Days	2 988 903	(2 979 934)
<b>Total</b>	<b>6 557 222</b>	<b>(6 517 527)</b>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

	Note	2013 R
<b>as at 30 June 2013</b>		
<b><u>Rental: Ageing</u></b>		
Current (0 – 30 days)	154 048	(120 293)
31 - 60 Days	112 283	(108 543)
61 - 90 Days	108 282	(104 846)
91 - 120 Days	104 546	(104 369)
121 - 365 Days	126 354	(107 972)
+ 365 Days	898 920	(874 863)
<b>Total</b>	<b>1 504 432</b>	<b>(1 420 886)</b>

**Summary of Debtors by Customer Classification**

**Consumers**

Current (0 – 30 days)	350 488
31 - 60 Days	306 894
61 - 90 Days	306 852
91 - 120 Days	299 158
121 - 365 Days	2 910 439
+ 365 Days	3 887 823
Sub-total	<b>8 061 604</b>
Less: Impairment of Receivable	(7 938 413)
<b>Total debtors by customer classification</b>	<b>123 191</b>

**Reconciliation of the Impairment of Receivable**

Balance at beginning of the year	(4 340 288)
Contributions to provision	(5 521 237)
Doubtful debts written off against provision	1 923 112
Reversal of provision	
<b>Balance at end of year</b>	<b>(7 938 413)</b>

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Fruitless and Wasteful Expenditure	<b>30.1</b>	-
Irregular Expenditure	<b>30.2</b>	-
Other debtors		173 940
<b>Total Other Debtors</b>		<b>173 940</b>

2012  
R

2 708  
24 893 328  
-  
(65 376)  
24 830 660

23 303 546  
21 078 123  
28 898 029  
30 382 602

4 026 820  
2 468 814  
4 026 820  
2 468 791

90 667  
93 807  
-  
93 807

5 817 744  
1 252 584  
5 817 744  
81 149

2012  
R

322
-
322
-

-
(65 376)
-
(65 376)

2 708
24 830 660

Net Balance

39 638
83 553
123 191

13 486
112 839
126 325

639
319
922
319
28 527
8 969
39 638

**2012**  
**R**

33 755  
3 740  
3 435  
177  
18 382  
24 057  

---

**83 553**

---

91 915  
51 195  
28 597  
27 504  
2 006 024  
2 261 260  

---

**4 466 495**  
(4 340 288)  

---

**126 207**

---

(2 386 661)  
(1 953 627)  
-  
-  

---

**(4 340 288)**

---

-  
-  
166 879  

---

**166 879**

---

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**4 PROPERTY, PLANT AND EQUIPMENT**

**4.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Intangible assets	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2012</b>	<b>799 536</b>	<b>15 851 585</b>	<b>22 514 518</b>	<b>80 482 544</b>	-	<b>374 780</b>	<b>8 074 578</b>	<b>128 097 543</b>
Cost/Revaluation	831 614	18 955 683	23 255 959	91 628 943	-	574 909	11 388 626	146 635 735
Accumulated depreciation and impairment losses	(32 078)	(3 104 098)	(741 441)	(11 146 400)	-	(200 129)	(3 314 049)	(18 538 192)
Acquisitions	184 140	1 773 695	683 429	1 557 341	-	848 843	4 043 219	9 090 667
Capital under construction (capitilised)	-	-	-	-	-	-	-	-
Capital under Construction	-	143 000	8 461 217	10 503 623	-	-	-	19 107 840
Other Movements*	29 224	-	-	-	-	-	-	29 224
Depreciation	(40 629)	(660 480)	(395 155)	(2 925 956)	-	(91 467)	(2 398 221)	(6 511 907)
Carrying value of disposals	-	-	-	-	-	-	<b>(472 977)</b>	<b>(472 977)</b>
Cost/Revaluation	-	-	-	-	-	-	(945 767)	(945 767)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	472 789	472 789
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
<b>as at 30 June 2013</b>	<b>972 271</b>	<b>17 107 800</b>	<b>31 264 009</b>	<b>89 617 552</b>	-	<b>1 132 156</b>	<b>9 246 599</b>	<b>149 340 388</b>
Cost/Revaluation	1 044 978	20 872 378	32 400 605	103 689 908	-	1 423 752	14 486 079	173 917 699
Accumulated depreciation and impairment losses	(72 707)	(3 764 578)	(1 136 596)	(14 072 355)	-	(291 596)	(5 239 480)	(24 577 311)

Refer to Appendix A for more detail on property, plant and equipment

*In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for motor vehicles) were assessed at zero, as the economic life of these assets are greater than the useful life.*

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**4.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Heritage	Intangible assets	Other Assets	Total
	R	R	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>801 951</b>	<b>16 283 039</b>	<b>16 233 214</b>	<b>73 967 986</b>	-	<b>431 792</b>	<b>7 478 704</b>	<b>115 196 685</b>
Cost/Revaluation	801 951	18 756 158	16 598 183	82 475 249	-	488 689	9 741 614	128 861 844
Accumulated depreciation and impairment losses	-	(2 473 119)	(364 969)	(8 507 264)	-	(56 897)	(2 262 910)	(13 665 159)
Acquisitions	-	199 525	559 786	10 640 027	-	86 220	4 105 231	15 590 789
Capital under Construction (Capitalised)	-	-	-	(4 933 927)	-	-	-	(4 933 927)
Capital under Construction	-	-	6 097 990	3 447 594	-	-	-	9 545 584
Other Movements*	29 663	-	-	-	-	-	-	29 663
Depreciation	(32 078)	(630 979)	(376 472)	(2 639 136)	-	(143 232)	(1 995 840)	(5 817 737)
Carrying value of disposals	-	-	-	-	-	-	<b>(1 513 517)</b>	<b>(1 513 517)</b>
Cost/Revaluation	-	-	-	-	-	-	(2 458 218)	(2 458 218)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	944 702	944 702
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>799 536</b>	<b>15 851 585</b>	<b>22 514 518</b>	<b>80 482 544</b>	-	<b>374 780</b>	<b>8 074 578</b>	<b>128 097 541</b>
Cost/Revaluation	831 614	18 955 683	23 255 959	91 628 943	-	574 909	11 388 626	146 635 735
Accumulated depreciation and impairment losses	(32 078)	(3 104 098)	(741 441)	(11 146 400)	-	(200 129)	(3 314 049)	(18 538 194)

Refer to Appendix A for more detail on property, plant and equipment

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>5 INVENTORY</b>			
<b>Opening balance of inventories:</b>		<b>396 286</b>	<b>302 674</b>
Consumable stores - at cost		380 505	279 038
Maintenance materials - at cost		15 781	23 636
<b>Additions:</b>		<b>1 454 326</b>	<b>476 112</b>
Consumable stores		934 327	451 333
Maintenance materials		520 000	24 779
<b>Issued (expensed):</b>		<b>-765 658</b>	<b>-479 245</b>
Consumable stores		-628 553	-349 866
Maintenance materials		-137 106	-32 634
<b>WRITE-DOWNS / REVERSAL OF WRITE-DOWNS TO NRV</b>			
Consumable stores		-74 216	-
Maintenance materials		-	-
<b>Closing balance of inventories:</b>		<b>1 010 738</b>	<b>396 286</b>
Consumable stores		612 063	380 505
Maintenance materials		398 675	15 781

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventories are measured at the lower of cost and net realisable value

<b>6 PREPAYMENTS</b>			
Prepaid Expense		-	1 556 321

*The majority of the prepaid expenses relates to the Insurance, SALGA membership fees and inventory for 2012/13 paid in advance*

<b>7 INVESTMENT PROPERTY CARRIED AT FAIR VALUE</b>			
<b>Setlagole Business Complex</b>			
Balance at the beginning of the year		16 680 000	13 600 000
Acquisitions		-	667 364
Increase/(Decrease) in Fair Value		670 000.00	2 412 636
Impairment Loss		-	-
<b>Balance at the end of the year</b>		<b>17 350 000</b>	<b>16 680 000</b>

**7.1** The Investment property has not been pledged as security

<b>7.2</b>	Rental income from investment property	774 305	619 551
	Direct operating expenses from rental generating property	801 541	435 915

**7.3 Details of valuation**

The effective date of the revaluations was August 2012. Revaluations were performed by an independent valuer, George Chelechele of Bokono Bophirima Property Values. Bokono Bophirima Property Values are not connected to the entity and have recent experience in location and category of the properties being valued. The valuation method was based on means of These assumptions are based on current market conditions.

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>8</b>	<b>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade creditors	2 292 764	1 247 189
	Other creditors	1 825 824	169 073
	Staff Leave Accrual	2 229 198	1 700 043
	Bonus Accrual	846 118	596 242
	Retentions	3 343 857	1 876 739
	<b>Total creditors</b>	<b>10 537 761</b>	<b>5 589 286</b>
	The fair value of trade and other payables approximates their carrying amounts.		
	The movement in current provisions are reconciled as follows		
	<b>as at 1 July 2012</b>	<b>Accrual</b>	<b>Bonus Accrual</b>
	Contributions to provision	1 674 431	596 242
	Expenditure incurred	909 855	1 575 734
	<b>as at 30 June 2013</b>	<b>2 229 198</b>	<b>846 118</b>
	<b>as at 1 July 2011</b>	<b>1 188 121</b>	<b>307 896</b>
	Contributions to provision	1 114 085	288 346
	Expenditure incurred	-627 775	-
	<b>as at 30 June 2012</b>	<b>1 674 431</b>	<b>596 242</b>
<b>9</b>	<b>VAT RECEIVABLE</b>		
	VAT receivable	16 415 574	10 323 850
	<b>Total VAT receivables</b>	<b>16 415 574</b>	<b>10 323 850</b>
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>10</b>	<b>UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>10.1</b>	<b>Unspent Conditional Grants from other spheres of Government</b>		
	Financial Management Grant	(0)	152 834
	Other Grant	-	-
	Municipal Infrastructure Grant	7 545 120	6 390 206
	Sports, Arts and Culture - Library Grant	-	-
	Municipal Systems Improvement Grant	0	-
	LG Seta Grant	-	-
	Expanded Public Works Programme Grant	-	-
	Ngaka Modiri Molema District Municipality Grant - Free Basic	2 712 757	2 712 757
	Ngaka Modiri Molema District Municipality - Municipal Health Service Grant	-	-
	National Heritage Grant	-	-
	<b>Total Unspent Conditional Grants and Receipts</b>	<b>10 257 876</b>	<b>9 255 797</b>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>Current portion of unspent conditional grants and receipts</b>		<b>10 257 876</b>	<b>9 255 797</b>
See Note 17 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilisation			
<b>11 CURRENT PROVISIONS</b>			
Current portion of long service awards		4 928	10 609
Rehabilitation of landfill sites			
		<b>4 928</b>	<b>10 609</b>
Refer to note 12 for Non-Current Portions and Key Assumptions	<b>12</b>		
<b>12 NON-CURRENT PROVISIONS</b>			
Provision for rehabilitation of landfill site		556 575	527 351
Provision for Long Service Awards		642 399	452 577
<b>Total Provisions</b>		<b>1 198 974</b>	<b>979 928</b>
<b>Reconciliation of Provisions and Key Assumptions</b>			
<b>Provision for rehabilitation of landfill site</b>			
<b>Opening Balance</b>		<b>527 351</b>	<b>497 687</b>
Contributions to provision		29 224	29 663
Expenditure incurred			-
<b>Closing Balance</b>		<b>556 575</b>	<b>527 351</b>
Less: Transfer to Current Provision	<b>11</b>	-	-
<b>Non-current Provision</b>		<b>556 575</b>	<b>527 351</b>
<b>Key Assumptions</b>			
The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements. The discount rate used to calculate the obligation at year-end was 5.54%			
The following key assumptions were made to arrive at the amount disclosed as a possible future obligation			
<i>Environmental impact process for establishment of solid waste disposal site</i>			
<i>Supply and operation of machinery to transfer refuse</i>			
<i>Sloping and spreading of slopes and ground work, including manual hand labour</i>			
An estimated amount was calculated and an average discount rate of 5.96% as per SASTATS was used to calculate the obligation at year-end.			

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>Provision for Long Service Awards</b>			
<b>Opening Balance</b>		463 187	426 264
Contributions to provision		204 389	36 923
Expenditure incurred		(20 249)	-
<b>Closing Balance</b>		<b>647 327</b>	<b>463 187</b>
Less: Transfer to Current Provision	11	(4 928)	(10 609)
<b>Non-current Provision</b>		<b>642 399</b>	<b>452 578</b>

Key Assumptions

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

GRAP 25 stipulates that the choice of this rate should be derived from highquality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.5%per annum has been used. This rate does not reflect any adjustment for taxation.

This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.5% and 2.5% above CPI inflation. We assessed the general salary increases over the last 5 years and thus a general salary inflation rate of 8.662% per annum

**13 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	786 972	718 928
<b>Total rentals</b>	<b>786 972</b>	<b>718 928</b>

**14 INTEREST EARNED**

Cash and Cash Equivalents	1 391 223	1 989 064
Outstanding Debtors	2 946 513	-
<b>Total interest</b>	<b>4 337 736</b>	<b>1 989 064</b>

*The interest includes interest received on short-term deposits, the main bank account and outstanding debtors.*

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>15</b>	<b>PROPERTY RATES</b>		
	<b>Actual</b>		
	Residential	3 107 484	2 035 765
	<b>Total property rates</b>	<b>3 107 484</b>	<b>2 035 765</b>
	Property rates - penalties imposed and collection charges	-	-
	<b>Total</b>	<b>3 107 484</b>	<b>2 035 765</b>
	<b>Valuations</b>		
	Residential	1 863 473 331	1 863 473 331
	<p><i>Valuations on land and buildings are performed every four years.</i>  <i>The last valuation came into effect on 1 July 2009.</i>  <i>A general rate of 0.2% (2009/10) is applied to property valuations to determine assessment rates. An average rebate of 26.25% are granted to residential owners and a further discount of 18.63% is also granted on the rates. Rates are levied on an yearly basis with the final date of payment being within 30 days.</i></p>		
	<b>Average of Discounts:</b>		
	Rebate Average	26.25%	
	Phasing in (25%)	18.42%	
	Exemption	0.21%	
	Total Other Discounts	18.63%	
<b>16</b>	<b>OTHER INCOME</b>		
	Tender Fees	263 067	113 784
	Other Income	575 321	37 037
		<b>838 387</b>	<b>150 821</b>
<b>17</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	Equitable Share	17.1	67 258 168
	Financial Management Grant	17.2	1 652 834
	Other Grant	17.3	-
	Municipal Infrastructure Grant	17.4	17 446 919
	Sports, Arts and Culture - Library Grant	17.5	750 000
	Municipal Systems Improvement Grant	17.6	800 000
	LG Seta Grant	17.7	143 378
	Expanded Public Works Programme Grant	17.8	1 053 000
	Ngaka Modiri Molema District Municipality Grant - Free Basic Water	17.9	-
	Ngaka Modiri Molema District Municipality - Municipal Health Service Grant	17.10	-
	National Heritage Grant	17.11	-
	<b>Total Government Grant and Subsidies</b>		<b>89 104 298</b>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>17.1</b>	<b>Equitable Share</b>		
	<i>This grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.</i>	67 258 168	59 576 000
<b>17.2</b>	<b>Financial Management Grant</b>		
	Balance unspent at beginning of year	(152 834)	-
	Current year receipts	(1 500 000)	(1 500 000)
	Conditions met - transferred to revenue	1 652 834	1 347 166
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>0</b>	<b>(152 834)</b>
	<i>This grant used to fund financial operations of the municipality</i>		
<b>17.3</b>	<b>Other Grant</b>		
	Balance unspent at beginning of year	-	(71 475)
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	71 475
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
	<i>This grant is used to fund the payment of interns seconded to the municipality</i>		
<b>17.4</b>	<b>Municipal Infrastructure Grant</b>		
	Balance unspent at beginning of year	(6 390 207)	(3 321 168)
	Surrendered	3 321 168	-
	Current year receipts	(21 923 000)	(18 073 000)
	Conditions met - transferred to revenue	17 446 919	15 003 961
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>(7 545 120)</b>	<b>(6 390 207)</b>
	<i>This grant is used to construct various community halls, infrastructure projects ect to uplift the community.</i>		
<b>17.5</b>	<b>Sports, Arts and Culture - Library Grant</b>		
	Balance unspent at beginning of year	-	-
	Current year receipts	(750 000)	(750 000)
	Conditions met - transferred to revenue	750 000	750 000
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
	<i>This grant is used to for the library function and purchases in Setlagole</i>		

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>17.6</b>	<b>Municipal Systems Improvement Grant</b>		
	Balance unspent at beginning of year	-	-
	Current year receipts	(800 000)	(790 000)
	Conditions met - transferred to revenue	800 000	790 000
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>(0)</b>	<b>-</b>
	<i>This grant is used to fund the financial operations of the municipality</i>		
<b>17.7</b>	<b>LG Seta Grant</b>		
	Balance unspent at beginning of year	-	(10 887)
	Current year receipts	(143 378)	(140 077)
	Conditions met - transferred to revenue	143 378	150 964
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
	<i>This grant is used to fund training of municipal staff</i>		
<b>17.8</b>	<b>Expanded Public Works Programme Grant</b>		
	Balance unspent at beginning of year	-	-
	Current year receipts	(1 053 000)	(295 000)
	Conditions met - transferred to revenue	1 053 000	295 000
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
	<i>To increase and maximise job creation</i>		
<b>17.9</b>	<b>Ngaka Modiri Molema District Municipality Grant - Free Basic Water</b>		
	Balance unspent at beginning of year	(2 712 757)	(2 973 787)
	Current year receipts	0	-
	Conditions met - transferred to revenue	-	261 030
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>(2 712 757)</b>	<b>(2 712 757)</b>
	<i>This grant is used to provide basic water services within the municipal area.</i>		
<b>17.10</b>	<b>Ngaka Modiri Molema District Municipality - Municipal Health Service Grant</b>		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	-
	Conditions met - transferred to revenue	-	-
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
	<i>This grant is used to provide municipal health services within the municipal area.</i>		

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>17.11 National Heritage Grant</b>			
Balance unspent at beginning of year	-	-	-
Current year receipts	-	-	(149 682)
Conditions met - transferred to revenue	-	-	149 682
<b>Conditions still to be met - remain liabilities (see note 10)</b>			
<i>This grant is used to develop, promote and protect the national heritage for present and future generations and to promote and protect indigenous knowledge systems.</i>			
<b>18 EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages	20 514 180	15 688 435	
Performance and other bonuses	1 575 733	956 390	
Travel, Motor vehicle, accommodation, subsistence and other allowances	1 037 948	1 369 947	
Employee Related Costs - Contributions to UIF, Pension and Medical Aid	5 691 249	4 148 288	
Housing benefits and allowances	253 796	282 402	
Overtime payments	90 040	142 414	
Other employee related costs	1 158 683	823 055	
<b>Total Employee Related Costs</b>	<b>30 321 629</b>	<b>23 410 931</b>	
<i>Included in the total Employee Related Costs above are the remuneration packages of the Municipal Manager and the Section 57 Managers as set out below:</i>			
<b>REMUNERATION OF THE MUNICIPAL MANAGER</b>			
Annual Remuneration	653 572	556 985	
Performance and Other Bonuses	48 173	-	
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances	160 284	138 533	
Housing Benefits and allowances	-	1 044	
Contributions to UIF, pension and medical aid	166 232	80 461	
Other employee related costs	3 996	57 806	
<b>Total</b>	<b>1 032 257</b>	<b>834 829</b>	
<b>REMUNERATION OF THE ACTING MUNICIPAL MANAGER</b>			
Acting Allowance	-	171 784	
Annual Remuneration	-	187 423	
Performance- and other bonuses	-	21 551	
Travel, motor car, accommodation, subsistence and other allowances	-	39 076	
Housing benefits and allowances	-	-	
Contributions to UIF, Medical and Pension Funds	-	48 119	
Other employee related costs	-	13 800	
<b>Total</b>	<b>-</b>	<b>481 753</b>	

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>REMUNERATION OF THE CHIEF FINANCE OFFICER</b>			
Annual Remuneration		433 868	344 866
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		90 463	91 725
Contributions to UIF, pension and medical aid		6 379	81 768
Other employee related costs		-	57 416
<b>Total</b>		<b>530 709</b>	<b>575 775</b>
<b>REMUNERATION OF THE ACTING CHIEF FINANCE OFFICER (ACTING FROM 01 JULY- 30 SEPTEMBER 2012)</b>			
Acting Allowance		23 570	14 173
Annual Remuneration		86 145	54 944
Performance- and other bonuses		-	18 489
Travel, motor car, accommodation, subsistence and other allowances		28 777	-
Housing benefits and allowances		-	-
Contributions to UIF, Medical and Pension Funds		24 740	15 884
Other employee related costs		2 774	-
<b>Total</b>		<b>166 005</b>	<b>103 490</b>
<b>REMUNERATION OF TECHNICAL SERVICES DIRECTOR</b>			
Annual Remuneration		491 773	367 690
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		116 726	104 280
Contributions to UIF, pension and medical aid		58 168	83 941
Other employee related costs		2 675	-
<b>Total</b>		<b>669 342</b>	<b>555 911</b>
<b>REMUNERATION OF TECHNICAL SERVICES DIRECTOR (ACTING OCTOBER 2010 - JUNE 2011)</b>			
Acting Allowance		-	74 394
<b>Total</b>		<b>-</b>	<b>74 394</b>
<b>REMUNERATION OF TOWN PLANNING DIRECTOR</b>			
Annual Remuneration		415 026.4	64 744
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		144 733.7	21 059
Contributions to UIF, pension and medical aid		134 046.9	20 455
Other employee related costs		2 412.0	-
<b>Total</b>		<b>696 219</b>	<b>106 258</b>
<b>REMUNERATION OF CORPORATE SERVICES DIRECTOR</b>			
Annual Remuneration		476 207	286 122
Travel, Motor Vehicle, Accommodation, Subsistence and other allowances		116 101	103 840
Housing Benefits and allowances		-	1 566
Contributions to UIF, pension and medical aid		43 337	82 188
Other employee related costs		2 671	41 828
<b>Total</b>		<b>638 317</b>	<b>515 545</b>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>19</b>	<b>REMUNERATION OF COUNCILLORS</b>		
Mayor		540 224	534 947
Speaker		482 277	449 595
Executive Committee Members		2 070 687	2 028 566
Councillors		4 464 171	3 854 729
Councillors' pension and medical aid contribution:		857 042	672 788
<b>Total Councillors' Remuneration</b>		<b>8 414 401</b>	<b>7 540 625</b>
<b>In-kind Benefits</b>			
<i>The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</i>			
<i>The Executive Mayor has use of the Council owned vehicle for official duties.</i>			
<b>20</b>	<b>DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment		6 511 907	5 817 737
<b>Total Depreciation and Amortisation</b>		<b>6 511 907</b>	<b>5 817 737</b>
<b>21</b>	<b>CONTRACTED SERVICES</b>		
Performance Information		355 193	-
Cleaning		-	-
Accounting Fees		1 390 967	1 276 121
Security Services		3 285 492	2 176 411
Valuation Services		1 844 860	1 507 707
Fixed asset Register		-	-
<b>Total</b>		<b>6 876 512</b>	<b>4 960 239</b>
<b>22</b>	<b>GENERAL EXPENSES</b>		
Included in general expenses are the following:-			
Accommodation and meals		1 039 683	2 181 664
Advertising		360 511	484 524
Arts and Culture Project		-	-
Audit Fees		1 766 709	1 729 670
Awareness Campaign		-	-
Bank Charges		79 328	66 982
Books And Periodicals		50 604	30 637
Catering		1 411 488	2 243 323
Cleaning		166 546	113 735
Congress and Conferences		77 846	82 000
Contractors Fees		-	-
Diagnose Support		-	-
Disaster Management		-	2 703
Donations		178 333	28 723
Economic Development		277 073	-
Electricity And Water		1 697 384	918 033
Entertainment		37 516	55 168
Events		273 821	366 168
Financial Management System Fees		181 793	136 935
Fuel And Oil		947 382	993 456
Gardening Services		-	-
Imbizo Expenditure		214 226	-
Insurance		1 563 423	1 847 681
Integrated Development Plan		136 016	688 680
Internet Charges		45 569	66 579
Kraaipan Heritage Research		13 600	140 622
Land Restitution Programme		-	-
Learnership Programmes		-	-
Consulting Fees		245 756	577 800
Legal Expenses		1 976 141	2 654 040
Library		-	-
Licence Fees		55 100	-
Mandela Day		-	-
Mayoral Economic Empowerment		-	-
Membership Fees		401 310	73 559
Consumables		132 712	23 808
Municipal Marketing		-	-
Other expenses		(5 816)	-
Pastel Evolution Fees		-	-
Performance Information		-	-
Performance Management System		-	183 500
Pest Control		-	141 763
Poverty Alleviation Projects		-	-
Printing, Stationery And Postage		890 552	1 386 654
Professional Fees		994 030	1 461 200
Promotional Material		8 000	171 606
Clothing		28 145	1 359 260
Publications		160 916	56 572
Refreshments		25 343	3 736
Rental Of Equipment		203 097	732 822
Risk Management		181 301	-
SMME Empowerment		-	-
Spatial Development Plan		-	-
Strategic Planning		191 949	-
Subscription Fees		636	4 820
Telephone Costs		1 796 886	1 539 245
Training and courses		1 113 988	2 992 690
Transport Fees		259 930	1 821 258
Travel And Subsistence		201 231	410 065
Sports Management Support		-	-
Traffic Officers		105 000	126 245
Tourism		-	-
Waste Management		-	720 421
Wellness Programme		434 720	-
Womens Development		-	-
Workmans Compensation		-	-
Stipend for General Workers		8 400	26 200
Stipend for Ward Committees		1 842 000	1 313 586
Stipend for EPWP Workers		2 964 370	1 491 140
Stipends for Youth		1 461 235	31 000
<b>Total</b>		<b>26 195 781</b>	<b>31 480 273</b>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>23</b>	<b>GAIN / (LOSS) ON SALE OF ASSETS</b>		
	Property, plant and equipment	(472 976)	(779 277)
	<b>Total Gain / (Loss) on Sale of Assets</b>	<b>(472 976)</b>	<b>(779 277)</b>
<b>24</b>	<b>PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
	Investment property carried at fair value	670 018	2 412 636
		<b>670 018</b>	<b>2 412 636</b>
<b>25</b>	<b>CASH GENERATED BY OPERATIONS</b>		
	Surplus/(deficit) for the year	13 141 575	7 115 150
	Adjustment for:-		
	Depreciation and amortisation	6 511 907	5 817 737
	(Gain)/Loss on sale of assets	472 976	779 277
	Profit/ (Loss) on Fair Value Adjustment	(670 018)	(2 412 636)
	Bad Debts	5 521 237	1 953 627
	Prior year retained earnings adjustment	-	-
	Provision for Long-Service Awards	286 536	36 077
	<b>Operating surplus before working capital changes:</b>	<b>25 264 214</b>	<b>13 289 232</b>
	(Increase)/decrease in trade receivable:	(3 594 991)	(1 859 893)
	(Increase)/decrease in other receivable:	(7 061)	(31 143)
	(Increase)/decrease in inventory	(614 452)	(93 612)
	(Increase)/decrease in VAT receivable	(6 091 724)	(4 692 281)
	(Increase)/decrease in Prepayments	1 556 321	143 649
	(Increase)/decrease in Doubtful Debts	(1 923 112)	-
	Increase/(decrease) in provision - current	(5 681)	846
	Increase/(decrease) in conditional grants and receipt	1 002 079	2 949 955
	Increase/(decrease) in trade payables	4 948 475	2 063 275
	<b>Cash generated by/(utilised in) operations</b>	<b>20 534 069</b>	<b>11 770 026</b>
<b>26</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Bank balances and cash	17 069 527	24 830 660
	<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>17 069 527</b>	<b>24 830 661</b>
<b>27</b>	<b>CHANGE IN ACCOUNTING POLICY</b>		

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>27.1</b>	<b>ACCUMULATED SURPLUS/(DEFICIT)</b>		
	Balance at beginning of the year	166 342 242	158 761 349
	Rounding Error	-	-
	Correction of Error - (See note 28 below)	-	465 745
	Surplus/(deficit) for the year	13 141 575	7 115 149
		<b>179 483 817</b>	<b>166 342 242</b>
<b>28</b>	<b>CORRECTION OF ERROR</b>		
	During the current year movable assets were verified that relates to old assets, but not previously recognised. The carrying value of these asset have now been determined and included in the asset register and AFS		465 745
<b>28.1</b>	The comparative amount has been restated as follows:		
	<u>Non-Current Assets</u>		
	<u>Property, Plant and Equipment - Cost Price</u>		
	Office Equipment		27 650
	Furniture & Fittings		219 022
	Emergency Equipment		23 215
	Computer Equipment		174 596
	Other Assets		101 513
	<u>Property, Plant and Equipment - Accumulated Depreciation</u>		
	Office Equipment		(8 762)
	Furniture & Fittings		(65 351)
	Emergency Equipment		(3 766)
	Computer Equipment		(56 685)
	Other Assets		(32 812)
	Net effect on Statement of Financial Position		378 619
	<u>Expenses</u>		
	<u>General Expenses</u>		
	Depreciation and Amortisation		87 126
	Net effect on Statement of Financial Performance		87 126
	Net effect on Accumulated surplus opening balance		(465 745)
<b>28.2</b>	During the year we noted that the leave accrual was understated in the prior year. This has now been corrected		
	The comparative amounts have been restated as follows:		
	<u>Current Assets</u>		
	Trade and other payables from exchange transactions		(25 612)
	Net effect on Statement of Financial Position		(25 612)
	<u>Expenses</u>		
	Employee Cost		25 612
	Net effect on Statement of Financial Performance		25 612
	Net effect on Accumulated surplus opening balance		-
	<u>Expenses</u>		
	<u>General Expenses</u>		
	Advertising		(20 060)
	Net effect on Statement of Financial Performance		(20 060)
	<u>Current liabilities</u>		
	Trade and other payables		22 868
	<u>Current Assets</u>		
	VAT Receivables		(2 808)
	Net effect on Statement of Financial Position		20 060
	Net effect on Accumulated surplus opening balance		-
	<b>TOTAL CORRECTION OF ERROR (Accumulated Surplus/(Deficit) Opening Balance)</b>		<b>(465 745)</b>
<b>29</b>	<b>CHANGE IN ESTIMATE</b>		
	The useful life and conditions of property, plant and equipment are reviewed on an annual basis by management. In the current period the condition of some of these assets deteriorated more than initially estimated. Management have revised their estimate based on the adjusted condition of these assets. The effect of this revision has increased/(decreased) the depreciation charges for the period by:	61 555	99 977
<b>30</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>30.1</b>	<b>Fruitless and wasteful expenditure</b>		
	Reconciliation of fruitless and wasteful exp		
	Opening balance -	-	-
	Fruitless and wasteful expenditure current year	21 789	22 952
	Condoned or written off by Council	(21 789)	(22 952)
	To be recovered - contingent asset	-	-
	Fruitless and wasteful expenditure awaiting condonement	-	-
	<b>Disciplinary steps/criminal proceedings</b>		
	The expenditure was incurred due to traffic fines and interest penalties. The expenditure is not recoverable and was therefore condoned by Council and no disciplinary steps were taken		
<b>30.2</b>	<b>Irregular expenditure</b>		
	Reconciliation of irregular expenditure		
	Opening balance -	9 932 626	21 223 940
	Irregular expenditure current year	34 218 512	22 993 599
	Condoned or written off by Council	(34 218 512)	(34 284 913)
	Transfer to receivables for recovery - not condoned		
	Irregular expenditure awaiting condonement	<b>9 932 626</b>	<b>9 932 626</b>
	<b>Incident &amp; Disciplinary steps/criminal proceedings</b>		
	Procurement not in line with the Supply Chain Management Regulations. The expenditures are still under investigation and once the results are obtained suitable action will be taken against the guilty parties. The expenditure was condoned by Council		

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>30.3</b>	<b>Unauthorised Expenditure</b>		
	Reconciliation of Unauthorised expenditure		
	Opening balance -	8 106 889	170 954
	Unauthorised expenditure current year	11 123 196	8 106 889
	Condoned or written off by Council	(11 486 015)	(170 954)
	Transfer to receivables for recovery – not condoned	-	-
	Unauthorised expenditure awaiting condonement	<u>7 744 070</u>	<u>8 106 889</u>
	<b>Incident &amp; Disciplinary steps/criminal proceedings</b>		
	Contracted Amount Overspent on Thutlwane Community Hall, Loporung Community Hall, Setlagole Paving, Ramabesa Community Cemetery, Setlagole Community Telecentre, Morolong Disability Centre and Madibogopan Community Library Guard House.. The over expenditure is not recoverable and was therefore condoned by Council. No disciplinary steps were taken.		
	The over expenditure on the budget is still under investigation and no disciplinary steps have been taken to date		
<b>31</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>31.1</b>	<b>Audit fees</b>		
	Opening balance	18 514	5 190
	Current year audit fee	1 766 709	1 748 184
	Amount paid - current year	(1 536 919)	(1 729 670)
	Amount paid - previous years	(18 514)	(5 190)
	<b>Balance unpaid (included in payables)</b>	<u>229 789</u>	<u>18 514</u>
<b>31.2</b>	<b>VAT</b>		
	VAT input receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<b>31.3</b>	<b>PAYE, UIF and SDL</b>		
	Opening balance	3 681	3 681
	Current year movement		
	Current year payroll deductions	(5 038 900)	(4 358 943)
	Amount paid - current year	5 038 936	4 358 943
	Amount paid - previous years	-	-
	<b>Balance unpaid (included in receivables)</b>	<u>3 717</u>	<u>3 681</u>

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>31.4 Pension and Medical Aid Deductions</b>			
Opening balance		99 064	71 358
Movement - Current year		-	
Current year payroll deductions and Council Contribution:		(9 035 165)	(6 708 582)
Amount paid - current year		9 035 166	6 736 288
Amount paid - previous years		-	
<b>Balance unpaid (included in payables)</b>		<b>99 065</b>	<b>99 064</b>
<b>31.5 Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>			
No non-compliance with Chapter 11 of the MFMA			
<b>32 CAPITAL COMMITMENTS</b>			
<b>32.1 Commitments in respect of capital expenditure</b>			
- <b>Approved and contracted for</b>		<b>12 115 551</b>	<b>13 518 934</b>
Infrastructure and Community Assets		12 115 551	13 518 934
- <b>Approved and not yet contracted for</b>		<b>1 893 413</b>	<b>496 926</b>
Infrastructure and Community Assets		1 893 413	496 926
<b>Total</b>		<b>14 008 964</b>	<b>14 015 860</b>
This expenditure will be financed from:			
- Government Grants		14 008 964	14 015 860
		<b>14 008 964</b>	<b>14 015 860</b>
<b>33 OPERATING LEASES</b>			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows			
<b>Operating leases - lessee</b>			
Within one year		-	18 090
In the second to fifth year inclusive			-
After five years			
<b>Total</b>		<b>-</b>	<b>18 090</b>

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed. The initial lease agreement expired by end of May 2012 and it was further extended to a month to month ending 28th February 2013

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>34</b>	<b>EVENTS AFTER REPORTING DATE</b>		
	at 30 June 2013		
	No material events occurred after reporting date that may have an impact on the financial statements		
<b>35</b>	<b>RETIREMENT BENEFIT INFORMATION</b>		
<b>35.1</b>	<b>Defined contribution plan</b>		
	An amount of R3,170,343 (2011: R2,552,024) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.		
<b>36</b>	<b>CONTINGENT LIABILITY</b>		
<b>36.1</b>	Legal Claim	450 000	900 000
	Legal claim was instituted against the Municipality by a previous employees and a service providers for services rendered and not paid. The municipalities lawyers are defending the matter in court and are of the opinion that the court will find in favour of the Municipality, however there are uncertainties of the outflow of resources. As at 30 June 2013 the municipality does not expect any reimbursement		
<b>36.2</b>	<b>Wage curve agreement</b>		
	As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this payable prior to the outcome of the pending litigation.		
<b>37</b>	<b>RELATED PARTIES</b>		
	<u>Members of key management - Section 57</u>		
	Remuneration of management - Section 57		
	Mr G Lekomanyane - Municipal Manager	1 032 257	1 316 582
	Ms GS Sepeng - Director: Corporate Services	638 317	515 545
	Ms MP Leburu - Chief Financial Officer	696 714	679 265
	Mr GC Mabilo - Director: Technical Services	669 342	555 911
	Mr TN Kopele - Director: Town Planning and Development	696 219	106 258
	Declarations of interest was circulated to all employee of the municipality and a CIPRO search performed. Compensation to councillors and other key management (refer to note 18 & 19)		
	<u>Payments to family members of persons in service of the municipality</u>		
	Ms C Setlhaku (Daughter) - Refilwe Botsalano Trading & Enterprise	32 410	
	Clir M Lentswe (Son) - Modiboa Electrical	22 050	
	Mr KK Nthutang (Spouse) - Aobakwe Catering & Enterprise	12 725	31 200
		67 185	31 200

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
<b>38</b>	<b>KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>		
	The following areas involve a significant degree of estimation uncertainty		
<b>38.1</b>	<b><u>The useful lives and residual values of property, plant, and equipment</u></b>		
	In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the residual value and the useful life of other assets are reviewed at least at each reporting date The residual value of infrastructure and community assets are not reviewed as they are specialized in nature and are expected to be used beyond their useful life		
	The carrying value of assets at year end, subject to the annual review is	149 340 388	128 097 541
<b>38.2</b>	<b><u>Provision for doubtful debts</u></b>		
	Management has an accounting policy in place to provide for the bad debts		
	The policy requires individual assessment of long outstanding debtors		
	The carrying value of the provision for bad debt is	7 938 413	4 340 288
<b>38.3</b>	<b><u>Provision for rehabilitation of landfill site</u></b>		
	The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. De-escalation of the current estimated costs in order to arrive at estimated costs for the previous financial years, were calculated using the average Consumer Price Indices and inflation rates (July to June per financial year) from SASTAT.		
	The closing balance of the provision is:	556 575	527 351
<b>39</b>	<b>RISK MANAGEMENT</b>		
<b>39.1</b>	<b>Maximum credit risk exposure</b>		
	Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
	The municipality does not render any services (other than rates and taxes) to the community and therefore the credit risk exposure is assessed as low.		
	Other receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.		
	Financial assets exposed to credit risk at year end were as follows		
	Current Account - First National Bank	17 130 904	24 893 328
	Trade and other receivables	8 061 604	4 466 613
	These balances represent the maximum exposure to credit risk		

**Ratlou Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Note	2013 R	2012 R
--	------	-----------	-----------

**39.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Because of low levels of creditors and no long term liabilities the liquidity risk of the municipality is assessed as low.

**39.3 Interest rate risk**

As the municipality has no interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipalities assessment of interest rate risk is assessed as low.

**40 COMPARISON WITH THE BUDGET**

	30 JUNE 2013		
	Actual Expenditure	Budget	Unauthorised Expenditure
Office of the Mayor and Council	11 305 254	10 278 083	1 027 171
Office of the Speaker	12 400 836	11 610 026	790 810
Office of the Municipal Manager	9 729 347	11 060 318	-
Budget and Treasury	16 549 001	13 217 240	3 331 761
Corporate Services	17 183 142	13 863 882	3 319 260
Planning and Development	11 350 517	50 458 814	-
Community Services	6 593 707	9 392 637	-
Technical Services	44 325	-	44 325
<b>Total Expenditure</b>	<b>85 156 129</b>	<b>119 881 000</b>	<b>8 513 327</b>

Please refer to Annexure D for additional information on the the Municipality's actual financial performance with the budget.

	Actual	Adjustments Budget	Variance Over/(Underspent)	Variance	Explanation of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Property Rates	3 107 484.39	2 250 000.00	857 484	38%	
Rental of facilities and equipment	786 971.91	950 000.00	-163 028	-17%	
Interest earned	4 337 736.34	1 250 000.00	3 087 736	247%	
Government grants and subsidies	89 104 298.21	103 231 000.00	-14 126 702	-14%	Grants were transferred in full
Other income	838 387.35	12 200 000.00	-11 361 613	-93%	Surplusses from previous years were disclosed under other income hence increasing projection for other income
<b>TOTAL REVENUE</b>	<b>98 174 878.20</b>	<b>119 881 000.00</b>	<b>-21 706 121.80</b>	<b>-18%</b>	
<b>EXPENDITURE</b>					
Employee related costs	30 321 620.53	29 784 000.00	-537 621	-2%	The difference is not material
Remuneration of councillors	8 414 401.00	7 948 000.00	-466 401	-6%	The difference is not material
Bad debts	5 521 237.00	2 000 000.00	-3 521 237	-176%	
Depreciation and amortisation expense	6 511 906.57	500 000.00	-6 011 907	-1202%	Budget was underestimated
Finance Costs	21 788.64	60 000.00	38 211	64%	Accounts were paid on time
Repairs and maintenance	1 292 881.57	477 000.00	-815 882	-171%	The were circumstances that were not seen when compiling budget and the funding for this unauthorised was supposed to the VAT Returns from previous years which were only transferred on the 2013/2014 financial year.
Grants and subsidies paid	-	-	-	100%	The municipality does not payout any grants.
Contracted services	6 876 512.12	6 060 000.00	-816 512	-13%	The difference is not material
General Expenses	26 195 781.16	24 322 839.00	-1 872 942	-8%	
<b>TOTAL EXPENDITURE</b>	<b>85 156 129</b>	<b>71 151 839</b>	<b>-14 004 290</b>	<b>-20%</b>	
Gain / (loss) on sale of assets	-472 976.05	-	-	100%	
Profit / (loss) on fair value adjustment	670 017.71	-	-	100%	
Inventories- (Write-down)/ reversal of write down to net realisable value	-74 216.00	-	-	-	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>13 141 575</b>	<b>48 729 161</b>	<b>-35 587 586</b>	<b>-73%</b>	

**Ratlou Local Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2013

	Cost / Revaluation							Accumulated Depreciation				
	Opening Balance		Additions	Under Construction	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance
	Cost	Under Construction		(capitilised)								
	R	R	R		R	R	R	R	R	R	R	R
Land										-		
Land	-	-	-			-	-	-	-	-	-	-
Landfill Sites	831 615	-	184 140		-	29 224	-	1 044 979	(32 078)	(40 629)	-	(72 707)
	831 615	-	184 140	-	-	29 224	-	1 044 979	(32 078)	(40 629)	-	(72 707)
Buildings	18 955 683	-	1 773 695			-	143 000	20 872 378	(3 104 098)	(660 480)	-	(3 764 578)
Infrastructure	-								-		-	
Roads	14 299 319	8 665 498	-		-	-	8 461 217	31 426 034	(711 355)	(358 738)	-	(1 070 093)
Electricity	-	-	683 429		-		-	683 429	-	(7 302)	-	(7 302)
Water Tanks and Stands	291 142	-	-		-		-	291 142	(30 086)	(29 114)	-	(59 200)
	14 590 461	8 665 498	683 429	-	-	-	8 461 217	32 400 605	(741 441)	(395 155)	-	(1 136 596)
Community Assets									-			
Libraries	22 715 155	-	-	-	-	-	2 043 367	24 758 522	(2 682 644)	(757 172)	-	(3 439 816)
Recreation												
Grounds	24 077 008	200 800	-	-	-	-	769 804	25 047 612	(3 690 707)	(802 567)	-	(4 493 274)
Halls	32 893 503	4 409 084	143 183			-	2 490 092	39 935 862	(4 222 756)	(1 100 909)	-	(5 323 664)
Cemeteries	2 774 182	-	404 483		-	-	-	3 178 665	(28 585)	(101 449)	-	(130 034)
Community Buildings	4 559 211	-	1 009 675		-	-	5 200 360	10 769 247	(521 707)	(163 859)	-	(685 567)
	87 019 059	4 609 884	1 557 341	-	-	-	10 503 623	103 689 908	(11 146 399)	(2 925 956)	-	(14 072 355)
Total carried forward	121 396 818	13 275 382	4 198 605	-	-	29 224	19 107 840	158 007 869	(15 024 016)	(4 022 219)	-	(19 046 235)

**Ratlou Local Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2013

	Cost / Revaluation							Accumulated Depreciation				
	Opening Balance		Additions	Under Construction	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance
	Cost	Under Construction		(capitilised)								
	R	R	R		R	R	R	R	R	R	R	R
Total brought forward	121 396 818	13 275 382	4 198 605	-	-	29 224	19 107 840	158 007 869	(15 024 016)	(4 022 219)	-	(19 046 235)
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Office Equipment	460 707		5 649		-	-		466 356	(182 925)	(61 232)	-	(244 158)
Furniture & Fittings	2 492 684		135 077		(48 992)	-		2 578 768	(888 879)	(374 559)	19 450	(1 243 989)
Bins and Containers	13 801		-		-	-		13 801	(2 540)	(2 022)	-	(4 562)
Emergency Equipment	58 278		2 635		(2 562)	-		58 351	(20 620)	(9 846)	2 050	(28 416)
Machinery and Equipment	-		-		-	-		-	-	-	-	-
Motor Vehicles	5 430 222		2 620 656		(384 133)	-		7 666 744	(1 249 457)	(1 186 801)	223 551	(2 212 707)
Computer Equipment	1 793 667		1 076 506		(292 970)	-		2 577 203	(681 459)	(564 283)	163 496	(1 082 245)
Software (part of computer equipment)	574 909		848 843		-	-		1 423 752	(200 129)	(91 467)	-	(291 596)
Other Assets	962 068		202 696		(85 641)	-		1 079 124	(135 194)	(179 041)	35 377	(278 858)
Refuse Removal - Donkey Carts	143 420		-		(131 417)	-		12 003	(14 595)	(20 437)	32 108	(2 924)
	11 929 756	-	4 892 062	-	(945 715)	-	-	15 876 102	(3 375 799)	(2 489 688)	476 031	(5 389 455)
	-								-			
GRAND TOTAL	133 326 573	13 275 382	9 090 667	-	(945 715)	29 224	19 107 840	173 883 971	(18 399 815)	(6 511 907)	476 031	(24 435 690)

**Ratlou Local Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation							Accumulated Depreciation				
	Opening Balance		Additions	Under Construction	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance
	Cost	Under Construction		(capitilised)								
	R		R		R	R	R	R	R	R	R	R
Land												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	801 951	-	-	-	-	29 663	-	831 615	-	(32 078)	-	(32 078)
	801 951	-	-	-	-	29 663	-	831 615	-	(32 078)	-	(32 078)
Buildings	18 756 158	-	199 525	-	-	-	-	18 955 683	(2 473 119)	(630 979)	-	(3 104 098)
Infrastructure												
Roads	13 897 740	2 567 508	401 579	-	-	-	6 097 990	22 964 817	(358 977)	(352 378)	-	(711 355)
Water Tanks and Stands	132 935		158 207	-	-	-	-	291 142	(5 993)	(24 093)	-	(30 086)
	14 030 675	2 567 508	559 786	-	-	-	6 097 990	23 255 958	(364 969)	(376 472)	-	(741 441)
Community Assets												
Libraries	19 594 027	2 423 223	3 121 128	(2 423 223)	-	-	-	22 715 155	(2 018 482)	(664 162)	-	(2 682 644)
Recreation												
Grounds	24 077 008	-	-	-	-	-	200 800	24 277 808	(2 888 140)	(802 567)	-	(3 690 707)
Halls	27 988 786	3 672 994	4 904 717	(2 510 704)	-	-	3 246 794	37 302 587	(3 218 908)	(1 003 848)	-	(4 222 756)
Cemeteries	160 000	-	2 614 182		-	-	-	2 774 182	(21 333)	(7 252)	-	(28 585)
Community Buildings	4 559 211	-	-		-	-	-	4 559 211	(360 400)	(161 307)	-	(521 707)
	76 379 032	6 096 217	10 640 027	(4 933 927)	-	-	3 447 594	91 628 943	(8 507 264)	(2 639 136)	-	(11 146 399)
Total carried forward	109 967 816	8 663 725	11 399 338	(4 933 927)	-	29 663	9 545 584	134 672 199	(11 345 352)	(3 678 665)	-	(15 024 016)

**Ratlou Local Municipality**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation							Accumulated Depreciation				
	Opening Balance		Additions	Under Construction	Disposals	Other Movements	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance
	Cost	Under Construction		(capitilised)								
	R		R		R	R	R	R	R	R	R	R
Total brought forward	109 967 816	8 663 725	11 399 338	(4 933 927)	-	29 663	9 545 584	134 672 199	(11 345 352)	(3 678 665)	-	(15 024 016)
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Office												
Equipment	580 322	-	18 100	-	(137 715)	-	-	460 707	(158 249)	(88 504)	63 827	(182 925)
Furniture & Fittings	2 068 937	-	736 070	-	(312 323)	-	-	2 492 684	(612 285)	(346 787)	70 192	(888 879)
Bins and Containers	14 270	-	-	-	(469)	-	-	13 801	(1 099)	(1 590)	149	(2 540)
Emergency Equipment	68 293	-	-	-	(10 015)	-	-	58 278	(11 652)	(12 228)	3 260	(20 620)
Machinery and Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	4 305 155	-	2 514 000	-	(1 388 933)	-	-	5 430 222	(859 843)	(920 108)	530 494	(1 249 457)
Computer Equipment	1 661 371	-	568 256	-	(435 960)	-	-	1 793 667	(484 588)	(420 748)	223 877	(681 459)
Computer Software (part of computer equipment)	488 689	-	86 220	-	-	-	-	574 909	(56 897)	(143 232)	-	(200 129)
Other Assets	1 043 267	-	91 605	-	(172 804)	-	-	962 068	(135 194)	(191 282)	52 902	(273 574)
Refuse Removal - Donkey Carts	-	-	143 420	-	-	-	-	143 420	-	(14 595)	-	(14 595)
	10 230 303	-	4 157 671	-	(2 458 218)	-	-	11 929 756	(2 319 807)	(2 139 072)	944 702	(3 514 178)
									-			
GRAND TOTAL	120 198 119	8 663 725	15 557 009	(4 933 927)	(2 458 218)	29 663	9 545 584	146 601 955	(13 665 159)	(5 817 737)	944 702	(18 538 194)

Carrying Value
R

-
972 272
<b>972 272</b>
<b>17 107 800</b>

30 355 940
676 127
231 942
<b>31 264 009</b>

21 318 706
20 554 338
34 612 197
3 048 631
10 083 680
<b>89 617 553</b>
<b>138 961 634</b>

Carrying Value
R

138 961 634

-
-

-

222 198

1 334 780

9 239

29 935

(0)

5 454 037

1 583 596

1 106 356

629 682

9 079

**10 378 901**

**149 340 535**

<b>Carrying Value</b>
<b>R</b>

-
799 537
<b>799 537</b>
<b>15 851 584</b>

22 253 462
321 228
<b>22 514 517</b>

20 032 511
20 587 101
33 079 831
2 745 597
4 037 504
<b>80 482 544</b>
<b>119 648 182</b>

Carrying Value
R

119 648 183

-
-

-
277 782
1 603 804
11 261
37 658

-
4 180 765
1 112 208

374 780
688 494
128 825
8 415 578
128 063 760

**Ratlou Local Municipality**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2013

	Cost / Revaluation							Accumulated Depreciation			
	Opening Balance	WIP Capitalised	Additions	Other Movement s	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance
	R		R	R	R	R	R	R	R	R	R
Office of the Mayor	622 075	-	140 077	-	(31 188)	-	730 964	(208 970)	(111 107)	15 950	(304 127)
Office of the Speaker	383 192	-	-	-	(39 510)	-	343 683	(75 204)	(85 332)	22 642	(137 894)
Office of the Municipal Manager	920 900	-	1 822 862	-	(91 312)	-	2 652 450	(272 087)	(409 992)	43 796	(638 284)
Budget and Treasury	696 581	-	71 390	-	(36 134)	-	731 837	(287 970)	(88 378)	26 219	(350 129)
Corporate Services	6 993 975	-	162 564	-	(671 814)	-	6 484 724	(1 860 768)	(1 297 689)	367 180	(2 791 277)
Community Services	1 235 681	-	970 583	-	(13 048)	-	2 193 216	(530 582)	(260 587)	2 745	(788 424)
Planning and development	135 734 551	-	2 468 527	29 224	(62 761)	9 830 324	147 999 865	(15 298 553)	(4 189 709)	30 493	(19 457 769)
Technical Services	15 000	-	3 454 665	-	-	9 277 516	12 747 181	134 320	(69 113)	(32 994)	32 213
<b>Total</b>	<b>146 601 955</b>	<b>-</b>	<b>9 090 667</b>	<b>29 224</b>	<b>(945 715)</b>	<b>19 107 840</b>	<b>173 883 971</b>	<b>(18 399 815)</b>	<b>(6 511 907)</b>	<b>476 031</b>	<b>(24 435 690)</b>

Carrying value
R
426 837
205 789
2 014 167
381 708
3 693 447
1 404 792
128 542 096
12 779 394
<b>149 448 281</b>

**Ratlou Local Municipality**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2013

2012	2012	2012	2012
Actual Income	Actual Expenditure	Other	Surplus / (Deficit)
R	R	R	R
295 000	9 679 106	-	(9 384 106)
-	11 513 418	-	(11 513 418)
-	10 425 933	-	(10 425 933)
67 011 733	10 638 682	1 633 359	58 006 410
150 964	18 666 496	-	(18 515 532)
15 003 962	9 629 062	-	5 374 900
756 726	7 183 899	-	(6 427 173)
-	-	-	-
<b>83 218 385</b>	<b>77 736 596</b>	<b>1 633 359</b>	<b>7 115 150</b>

Office of the Mayor and Council  
Office of the Speaker  
Office of the Municipal Manager  
Budget and Treasury  
Corporate Services  
Planning and Development  
Community Services  
Technical Services  
**Total**

2013	2013	2013	2013
Actual Income	Actual Expenditure	Other	Surplus / (Deficit)
R	R	R	R
1 053 000	11 305 254	-	(10 252 254)
-	12 400 836	-	(12 400 836)
-	9 729 347	-	(9 729 347)
78 760 025	16 549 001	122 825	62 333 850
143 378	17 183 142	-	(17 039 764)
17 446 919	11 350 517	-	6 096 402
771 556	6 593 707	-	(5 822 150)
-	44 325	-	(44 325)
<b>98 174 878</b>	<b>85 156 129</b>	<b>122 825</b>	<b>13 141 575</b>

-

-

**Ratlou Local Municipality**  
**APPENDIX D**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**  
**for the year ended 30 June 2013**

	Actual R	Adjustments Budget R	Variance Over/(Underspent) R	Variance %	Explanation of significant variances greater than 10% versus budget
<b>REVENUE</b>					
Property Rates	3 107 484	2 250 000	857 484	38%	
Rental of facilities and equipment	786 972	950 000	-163 028	-17%	
Interest earned	4 337 736	1 250 000	3 087 736	247%	
Government grants and subsidies	89 104 298	103 231 000	-14 126 702	100%	Grants were transferred in full
Other income	838 387	12 200 000	-11 361 613	-93%	Surplusses from previous years were disclosed under other income hence increasing projection for uther income
<b>TOTAL REVENUE</b>	<b>98 174 878</b>	<b>119 881 000</b>	<b>-21 706 122</b>	<b>-18%</b>	
<b>EXPENDITURE</b>					
Employee related costs	30 321 621	29 784 000	-537 621	-2%	The difference is not material
Remuneration of councillors	8 414 401	7 948 000	-466 401	-6%	The difference is not material
Bad debts	5 521 237	2 000 000	-3 521 237	-176%	
Depreciation and amortisation expense	6 511 907	500 000	-6 011 907	-1202%	Budget was underestimated
Finance Costs	21 789	60 000	38 211	64%	Accounts were paid on time
Repairs and maintenance	1 292 882	477 000	-815 882	-171%	The were circumstances that were not seen when compilling budget and the funding for this unauthorised was supposed to the VAT Returns from previous years which were only transferred on the 2013/2014 finacial year.
Grants and subsidies paid	-	-	-	100%	The municipality does not payout any grants.
Contracted services	6 876 512	6 060 000	-816 512	-13%	The difference is not material
General Expenses	26 195 781	24 322 839	-1 872 942	-8%	
<b>TOTAL EXPENDITURE</b>	<b>85 156 129</b>	<b>71 151 839</b>	<b>-14 004 290</b>	<b>-20%</b>	
Gain / (loss) on sale of assets	-472 976	-	-	100%	
Profit / (loss) on fair value adjustment	670 018	-	-	100%	
Inventories- (Write-down)/ reversal of write down to net realisable value	-74 216				
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>13 141 575</b>	<b>48 729 161</b>	<b>-35 587 586</b>	<b>-73%</b>	